

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Joseph A. Leonard
System ID No. 0182320

Enforcement Case No. 06-4915

American Insurance Specialists, LLC
System ID No. 0035712

AIS Companies Financial Services, Inc.
System ID No. 0074880

Respondents

*Issued and entered
on 17 September, 2007
by Frances K. Wallace
Chief Deputy Commissioner*

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Office of Financial and Insurance Services alleges that the following statements are true and correct:

1. At all pertinent times, Joseph A. Leonard, System ID No. 0182320, was a licensed resident insurance producer authorized to transact the business of insurance in this state.
2. At all pertinent times, American Insurance Specialists, LLC, System ID No. 0035712 was a licensed resident producer agency authorized to transact the business of insurance in this state.
3. At all pertinent times, AIS Companies Financial Services, Inc., System ID No. 0074880 was a licensed resident producer agency authorized to transact the business of insurance in this state. Respondent Leonard is a named individual associated with and part owner of Respondent American Insurance Specialists, LLC and AIS Companies Financial

Services, Inc. Joseph A. Leonard, American Insurance Specialists, LLC, and AIS Companies Financial Services, Inc. are collectively known as Respondents.

4. As licensed resident producers, Respondents knew or had reason to know that Section 1239(1)(b) of the Michigan Insurance Code provides that the Commissioner may place on probation, suspend, and revoke an insurance producer's license for violating any insurance laws, or violating any regulations, subpoena, or order of the commissioner or of another state's insurance commissioner.
5. As licensed resident producers, Respondents knew or had reason to know that Section 1239(1)(d) of the Michigan Insurance Code provides that the Commissioner may place on probation, suspend, and revoke an insurance producer's license for improperly withholding, misappropriating or converting money received in the course of doing insurance business.
6. As licensed resident producers, Respondents knew or had reason to know that Section 1239(1)(h) of the Michigan Insurance Code provides that the Commissioner may place on probation, suspend, and revoke an insurance producer's license for using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.
7. As licensed resident producers, Respondents knew or had reason to know that Section 2018 of the Michigan Insurance Code provides that an unfair method of competition and an unfair or deceptive act or practice in the business of insurance include making false or fraudulent statements or representations on or relative to an application for an insurance policy for the purpose of obtaining a fee, commission, money, or other benefit from an insurer, agent, broker, or individual.
8. As licensed resident producers, Respondents knew or had reason to know that Section 2005(a) of the Michigan Insurance Code provides that an unfair method of competition and an unfair or deceptive act or practice in the business of insurance means the making, issuing, circulating, or causing to be made, issued or circulated, an estimate, illustration, circular, statement, sales presentation, or comparison which by omission of a material fact or incorrect statement of a material fact misrepresents the terms, benefits, advantages, or conditions of an insurance policy.
9. The Office of Financial Insurance Services ("OFIS") received a complaint from Jackson National Life Insurance Company ("Jackson") alleging that Respondent Leonard, individually and through American Insurance Specialists, LLC and AIS Companies Financial Services, Inc., entered into contracts of "private offerings" with clients in North Carolina and Michigan.
10. The "private offering" applications and contracts contained language stating that the offering is underwritten by Jackson National Life Insurance Company, Lansing, Michigan. The private offering bears the Jackson name and logo at the top of the document. Jackson has not endorsed, approved or authorized the use of its name or

trademark on any private offering document. Jackson has not agreed to underwrite any private offering marketed by the Respondent Leonard, individually or through American Insurance Specialists, LLC or AIS Companies Financial Services, Inc.

11. On October 11, 2006, Jackson sent a letter to Respondent Leonard as President of AIS Companies Financial Services, Inc., demanding that he cease and desist from soliciting "private offering" policies with the Jackson logo purporting to be underwritten by Jackson.
12. Upon further investigation into the matter, OFIS learned that the Respondent Leonard, individually and on behalf of American Insurance Specialists, LLC or AIS Companies Financial Services, Inc., has solicited numerous "private offering" applications and contracts with clients in North Carolina and Michigan. All of these "private offering" contracts had the Jackson National Life Insurance Company logo and contained the statement: "*Underwritten by Jackson National Life Insurance Company, P.O. Box 24068, Lansing, MI 48909." In the course of soliciting these "private offering" applications and contracts, Respondent Leonard received significant sums of money. Respondents never forwarded any these funds to a legitimate insurance company, fund or other legal entity for the purpose of securing insurance policies for these clients.
13. By accepting money for "private offering" policies and failing to remit the funds to any legitimate or legal entity, and failing to secure any insurance policies on behalf of the applicants, the Respondents have improperly withheld, misappropriated or converted money received in the course of doing insurance business. The Respondents have violated Section 1239(1)(d) of the Michigan Insurance Code.
14. By soliciting applications and accepting money for bogus "private offering" policies with the Jackson National Life Insurance Company logo and representing that the policies were underwritten by Jackson, the Respondents used fraudulent or dishonest practices, demonstrated untrustworthiness and financial irresponsibility in the conduct of business in this state and elsewhere. Respondents have violated Section 1239(1)(h) of the Michigan Insurance Code.
15. By soliciting "private offering" policies with the logo and endorsement statement of an insurer without its permission, Respondents have made false or fraudulent statements or representations on or relative to an application of insurance to obtain a commission, fee, money or other benefit from an insurer. Respondents have committed an unfair method of competition and an unfair or deceptive act or practice in the business of insurance and have violated Section 2018 and 1239(1)(b) of the Michigan Insurance Code.
16. By soliciting and accepting money for "private offering" policies, which were not endorsed or authorized by a legitimate underwriter, Respondents misrepresented the terms, benefits, advantages or conditions of an insurance policy. Respondents have committed an unfair method of competition and an unfair or deceptive act or practice in the business of insurance and have violated Section 2005(a) and 1239(1)(b) of the Michigan Insurance Code.

17. Pursuant to the allegations set forth in this Order, the Respondents have failed to uphold the standards set forth in the Michigan Insurance Code, therefore subjecting Respondents' insurance producer licenses to revocation by the Commissioner under Section 1239 and 1244 of the Michigan Insurance Code.

B. ORDER

Based on the findings of fact and conclusions of law above and Respondents' stipulation, it is **ORDERED** that:

1. Respondents shall immediately cease and desist from operating in such a manner as to violate Sections 1239(1)(b), (d) & (h), 2005(a), and 2018 of the Code.
2. Respondent Leonard's insurance producer license is **REVOKED**.
3. Respondent Leonard's agent affiliation with American Insurance Specialists, LLC is **CANCELED**.
4. Respondent Leonard's agent affiliation with AIS Companies Financial Services, Inc. is **CANCELED**.
5. Respondent Leonard shall pay restitution to all people that purchased the private offering referenced above. Within 30 days of the issuance and entry of this ORDER Respondents shall supply OFIS with written documentation of restitution for all people that purchased the private offering from Respondents.
6. Respondent Leonard shall pay to the State of Michigan a civil fine of Ten Thousand Dollars (\$10,000.00). Upon execution of this Order, OFIS will send Respondent Leonard an Invoice for the civil fine, which shall be due within 30 days of issuance of the Invoice.



Frances K. Wallace
Chief Deputy Commissioner

Dated: 17 September 2007